Rentokil Initial

RENTOKIL INITIAL PLC (RTO)
INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2014
1 August 2014

Results £m	**Q2 2014** AER	**Growth** AER	CER	**H1 2014** AER	**Growth** AER	CER
Revenue	**442.1**	**(3.3%)**	**3.4%**	**854.4**	**(4.5%)**	**1.5%**
Revenue – ongoing operations[1]	**441.7**	**(2.9%)**	**3.9%**	**853.5**	**(3.3%)**	**2.7%**
Adjusted operating profit[2]	**61.4**	**(0.3%)**	**8.0%**	**100.2**	**(0.5%)**	**7.7%**
Adjusted profit before tax[2]	**52.4**	**7.2%**	**17.6%**	**77.5**	**2.2%**	**13.3%**
Profit before tax	**47.5**	**57.8%**	**74.9%**	**66.8**	**38.9%**	**55.5%**
Operating cash flow[3]				**51.5**		
Adjusted EPS[4]				**3.26**	**7.2%**	

- **Revenue, profit and cash performance for H1 are all in line with expectations.**
- **Interim dividend of 0.77p declared, increase of 10% on prior year.**
- **Strategy being executed at pace.**

Revenue (at CER)
Revenue from ongoing operations increased by 2.7% in H1 comprising organic growth of 0.7% and growth from acquired businesses of 2.0%. Growth in Q2 increased to 3.9% compared to 1.5% in Q1, driven by both improved organic performance (1.2%) and acquisitions (2.7%).

Growth in H1 in the Emerging (18.7%) and Growth (4.3%) quadrants was strong, offset by small declines in the Protect and Enhance (-0.2%) and Manage for Value (-0.5%) quadrants.

Divestments in the Manage for Value quadrant of our Belgian Flat Linen business and our Korean JV in 2013, and our Spanish Medical business in H1 2014, reduced revenue growth by 1.2% in the half, resulting in total revenue growth of 1.5%.

Profit (at CER)
Adjusted operating profit increased by 7.7% in H1, reflecting growth in North America, Asia, France and Germany, as well as lower central and divisional overheads, partly offset by lower profits in Benelux.

Adjusted profit before tax at actual exchange rates has been negatively impacted by £6.2m due to the continued strengthening of Sterling. Based on current exchange rates the impact of currency movements would be around £17m for the full year, up £3m from previous guidance.

In line with our commitment, reorganisation costs and one-off items for continuing operations were significantly lower in H1 at £2.4m versus £20.4m last year, contributing to an increase in profit before tax of 55.5% in H1. After taking into account currency movements, profit before tax at AER increased by 38.9%. We continue to expect reorganisation costs and one-off items to be in the region of £10m for the year.

Cash (at AER)[5]
One of our core strategic objectives is to improve free cash flow. Operating cash flow from continuing operations of £51.5m in H1 was £27.7m ahead of the prior year driven by reductions in reorganisation costs, capex and working capital outflows and we remain on track to deliver a significant improvement in free cash flow in the full year. After taking into account the cash outflow on discontinued operations (£35.5m), expenditure on current and prior year acquisitions (£41.7m), and the net impact of the sale of Initial Facilities (£250m proceeds less £16.3m of transferred restricted cash relating to Private Finance Initiative (PFI) contracts), net debt was £262.9m lower, at £859.2m at 30 June 2014 compared to £1,122.1m at 30 June 2013.

M&A

In line with our strategy, we have accelerated our M&A programme to pursue targets in higher growth markets and in areas which add local density to our existing operations. We have acquired 15 bolt-ons in pest control along with one small acquisition in hygiene and one in plants. The integration of all acquisitions is progressing well. In North America we have expanded our presence with the purchase of six pest bolt-ons in Indiana, Connecticut, Virginia, West Virginia, Mississippi and Washington. In addition, we have acquired businesses in India, Mozambique, the Netherlands, the Republic of Ireland, Spain and Italy. We have completed the acquisition of Bestway, a pest control, hygiene and business services company based in Chile. Combined annual revenues of the above businesses totalled £34.7m in the 12 months immediately prior to acquisition.

As noted above we completed the sale of the Initial Facilities business to Interserve Plc on 18 March 2014. Within our Manage for Value quadrant, we also disposed of our Spanish Medical business in the first half (2013 revenue £2.3m).

Commenting on the H1 results Andy Ransom, CEO of Rentokil Initial plc, said:

"I am pleased to report that six months in, our new strategy is on track, with revenue, profit and cash performance in the first half of the year in line with expectations. Revenue growth was particularly strong in our Pest Control category reflecting good growth in our Emerging and Growth quadrants, supported by improved organic performance and a number of pest control acquisitions. As expected, challenging trading conditions persist in our European businesses.

"Profit growth in H1 reflects the benefit of more effective businesses and reduced overheads and has been achieved despite a decline in Benelux profits. With the actions we are taking to implement our strategy at pace, to drive improved revenue, profit and cash performance, we remain confident in making further progress for the remainder of the year; our outlook for the year remains unchanged."

Enquiries:

Investors / Analysts:	Guy Smith	Rentokil Initial plc	01276 536585/07879 662664
Media:	Malcolm Padley	Rentokil Initial plc	07788 978 199
	Justine McIlroy Nina Coad Oliver Hughes	Brunswick Group	020 7404 5959

A presentation for investors and analysts will be held on Friday 1 August 2014 at 8.45am at the Inmarsat Conference Centre, 99 City Road, London, EC1Y 1AX.

This will be available via a live audio web cast at www.rentokil-initial.com.

AER – actual exchange rates; CER – constant 2013 exchange rates

[1] *ongoing revenue represents revenue with disposals removed and includes revenue from acquisitions.*
[2] *before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items, and net interest credit from pensions*
[3] *cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations*
[4] *earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions*
[5] *Full details of the impact of the disposal of Initial Facilities can be found in note 5 to the financial statements.*

This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this announcement should be construed as a profit forecast.

FINANCIAL SUMMARY

£million	Second Quarter 2014	Second Quarter Restated 2013	Second Quarter change	Half Year 2014	Half Year Restated 2013	Half Year change
Continuing Operations[1]						
At 2013 constant exchange rates[2]						
Revenue	**466.4**	451.0	*3.4%*	**896.7**	883.4	*1.5%*
Adjusted operating profit[3]	**65.3**	60.5	*8.0%*	**106.6**	99.0	*7.7%*
Reorganisation costs and one-off items - operating[4]	**(0.3)**	(15.3)	*98.0%*	**(2.4)**	(20.4)	*88.2%*
Amortisation and impairment of intangible assets	**(5.0)**	(4.7)	*(6.4%)*	**(10.2)**	(9.9)	*(3.0%)*
Operating profit	**60.0**	40.5	*48.1%*	**94.0**	68.7	*36.8%*
Share of profit from associates (net of tax)	**1.2**	1.8	*(33.3%)*	**2.5**	2.9	*(13.8%)*
Net interest payable (excluding pensions)	**(10.4)**	(14.6)	*28.8%*	**(25.4)**	(28.0)	*9.3%*
Net interest credit from pensions	**0.1**	1.4	*(92.9%)*	**1.2**	2.9	*(58.6%)*
Profit before tax	**50.9**	29.1	*74.9%*	**72.3**	46.5	*55.5%*
Adjusted profit before tax[3]	**56.1**	47.7	*17.6%*	**83.7**	73.9	*13.3%*
Operating cash flow[5]				**55.8**	22.5	
Continuing Operations[1]						
At actual exchange rates						
Revenue	**442.1**	457.4	*(3.3%)*	**854.4**	894.3	*(4.5%)*
Adjusted operating profit[3]	**61.4**	61.6	*(0.3%)*	**100.2**	100.7	*(0.5%)*
Reorganisation costs and one-off items - operating[4]	**(0.3)**	(15.3)	*98.0%*	**(2.3)**	(20.5)	*88.8%*
Amortisation and impairment of intangible assets	**(4.8)**	(4.9)	*2.0%*	**(9.7)**	(10.1)	*4.0%*
Operating profit	**56.3**	41.4	*36.0%*	**88.2**	70.1	*25.8%*
Share of profit from associates (net of tax)	**1.1**	1.9	*(42.1%)*	**2.2**	3.1	*(29.0%)*
Net interest payable (excluding pensions)	**(10.1)**	(14.6)	*30.8%*	**(24.9)**	(28.0)	*11.1%*
Net interest credit from pensions	**0.2**	1.4	*(85.7%)*	**1.3**	2.9	*(55.2%)*
Profit before tax	**47.5**	30.1	*57.8%*	**66.8**	48.1	*38.9%*
Adjusted profit before tax[3]	**52.4**	48.9	*7.2%*	**77.5**	75.8	*2.2%*
Operating cash flow[5]				**51.5**	23.8	
Basic earnings per share				**2.86p**	1.99p	*43.7%*
Basic adjusted earnings per share[6]				**3.26p**	3.04p	*7.2%*
Dividend per share (proposed/paid)				**0.77p**	0.70p	*10.0%*

[1] *all figures are for continuing operations*
[2] *results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2013. £/$ average rates: H1 2014 1.7106; FY 2013 1.5713, £/€ average rates: H1 2014 1.2492; FY 2013 1.1820*
[3] *before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions*
[4] *see Note 4 for further details*
[5] *cash flow before interest, tax, acquisitions, disposals, foreign exchange adjustments and discontinued operations*
[6] *earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit from pensions*

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 “Operating Segments” which the group has implemented with effect from 1 January 2009. This statement reflects internal organisation changes made in 2014. In 2013 our core businesses were run on a day-to-day basis by one manager per country, each responsible for the core activities in his/her region, and the countries were grouped into three geographic regions, East, West and Asia. In 2014 the East and West regions ceased to exist and have been replaced by regional clusters. Prior year comparisons have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (excluding computer software). References to adjusted operating profit and adjusted profit before tax also exclude operating reorganisation costs and one-off items, totalling a net cost of £2.4m (2013: £20.4m) that have had a significant impact on the results of the group. These costs have been separately identified as they are not considered to be “business as usual” expenses and have a varying impact on different businesses and reporting periods. All comparisons are at constant 2013 full year average exchange rates.

H1 PERFORMANCE OVERVIEW

In the **Asia Region**, ongoing revenue grew by 6.1% in H1. Both the Pest Control and Hygiene categories performed well. Our operations in the emerging markets of India, China and Vietnam delivered combined revenue growth of 26%, albeit from a low base. High single digit revenue growth was delivered in the more mature markets of Indonesia and Malaysia. In the Region, profit (APBITA) grew by 12.9% reflecting the leverage from revenue growth and the benefit of back office rationalisation, with margins up 0.8%.

In the **North America Region**, ongoing revenue grew by 5.0% in H1, driven primarily by the continuing acquisition programme. Organic revenue (+0.7%) was impacted by adverse weather conditions on the East and West coast, performance was stronger in Central areas. Strong profit growth of +19.1% was driven by acquisitions, as well as further margin improvement from back office and property rationalisation.

In the **UK & Rest of the World Region**, ongoing revenue grew 4.5% in H1, with organic growth up 2.4%. The region delivered continued growth from UK pest and hygiene categories, and increased pest control job work in particular. The Rest of World operations delivered good revenue growth, although offset by lower revenue in South Africa, which was impacted by industrial action within customer businesses in the mining sector. H1 profit grew by 4.2%.

In the **Europe Region**, ongoing revenue grew by 1.4% in H1. Despite, trading conditions which remained challenging, revenue growth was delivered in Germany (+1.2%) and France (+1.3%), however, offset by a decline in Benelux (-2.6%). H1 profit in the Region declined by 3.3%, due to the performance in Benelux which continued to be impacted by poor service levels in 2013 and ongoing economic conditions, resulting in contract terminations and pricing pressure. Profit growth in France was supported by a focus on yield management and branch administration rationalisation. Ongoing revenue growth of 16.3% and profit growth of 15.4% in Other Europe was primarily driven by good progress in Latin America which is managed out of the European Region.

In the **Pacific Region**, ongoing revenue declined slightly at -0.6% in H1. The decline in revenue was driven by reduced pest control job work and lower pest product sales. H1 profit grew by 4.5%, supported by a programme of procurement savings and branch administration rationalisation.

CENTRAL AND DIVISIONAL OVERHEADS

Central and divisional overheads decreased by £5.4m in H1, reflecting the implementation of a programme designed to reduce annual central and divisional overheads by £10m in 2014.

REORGANISATION COSTS AND ONE-OFF ITEMS - OPERATING

Our strategy to reduce restructuring costs resulted in net reorganisation costs and one-off items (operating) at actual exchange rates in H1 of £2.3m (2013: £20.5m). £3.1m (2013: £19.1m) of these related directly to the group's major reorganisation programme and consisted mainly of redundancy costs, consultancy and plant and office closure costs. One-off items (operating) show a credit of £0.8m (2013: cost £1.4m); these include costs and income relating to acquisitions and disposals and movements in vacant property provisions.

INTEREST

Net interest payable was £24.9m at actual exchange rates compared to £28.0m in the prior year, a decrease of £3.1m. The decrease is predominantly due to the carry cost resulting from raising funds ahead of the maturity of our €500m bond in March 2014. Following the maturity of the March 2014 bond the average cost of gross debt for the group is 3.94%.

TAX

The income tax expense on continuing operations for H1 was 22.2% on reported profit before tax compared with 22.9% in H1 2013 (as restated). After adjusting profit for the amortisation and impairment of intangible assets (excluding computer software), reorganisation costs and one-off items and net pension credit from pensions, the effective tax rate is 23.6%, compared with 25.9% in H1 2013 (as restated). This compares with a blended rate of tax for the countries in which the group operates of 26.5% (27.0% in H1 2013 as restated). The reduction is principally due to the increase in the recognition of the deferred tax asset in relation to certain UK tax losses carried forward as at 30 June 2014.

NET DEBT AND CASH FLOW

£m at actual exchange rates	Year to Date		
	2014 HY £m	*Restated* 2013 HY £m	*Change £m*
Adjusted operating profit[1]	**100.2**	100.7	*(0.5)*
Reorganisation costs and one-off items – operating	**(2.3)**	(20.5)	*18.2*
Depreciation	**92.1**	102.4	*(10.3)*
Other non-cash	**(2.4)**	1.4	*(3.8)*
EBITDA	**187.6**	184.0	*3.6*
Working capital	**(29.3)**	(41.8)	*12.5*
Movement on provisions	**(8.7)**	(4.5)	*(4.2)*
Capex – additions	**(101.2)**	(115.8)	*14.6*
Capex – disposals	**3.1**	1.9	*1.2*
Operating cash flow – continuing operations	**51.5**	23.8	*27.7*
Interest	**(34.4)**	(30.3)	*(4.1)*
Tax	**(12.4)**	(17.6)	*5.2*
Disposal of available-for-sale investments	**-**	1.3	*(1.3)*
Special pension contributions	**-**	(12.5)	*12.5*
Free cash flow – continuing operations	**4.7**	(35.3)	*40.0*
Free cash flow – discontinued operations	**(35.5)**	(47.9)	*12.4*
Free cash flow	**(30.8)**	(83.2)	*52.4*
Acquisitions	**(41.7)**	(4.8)	*(36.9)*
Disposal of companies and businesses	**253.1**	0.9	*252.2*
Restricted cash disposed of with companies and businesses	**(16.3)**	-	*(16.3)*
Dividends	**(29.2)**	(25.9)	*(3.3)*
Foreign exchange translation and other items	**40.5**	(19.6)	*60.1*
(Increase) / decrease in net debt	**175.6**	(132.6)	*308.2*
Opening net debt	**(1,034.8)**	(989.5)	*(45.3)*
Closing net debt	**(859.2)**	(1,122.1)	*262.9*

[1] *before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items*

Operating cash inflow of £51.5m at actual exchange rates for continuing operations was £27.7m favourable to 2013 mainly due to reductions in restructuring costs, working capital outflows and capex in 2014.

Interest payments (including finance lease interest) were £4.1m higher than last year at £34.4m, principally due to the phasing of interest payments on the recent bond issuance. Total tax payments were £12.4m compared with £17.6m in 2013. Free cash inflow of £4.7m was £40.0m favourable compared to the prior year.

The cash spent on acquisitions in H1 totalled £41.7m with disposals being an inflow of £253.1m. This figure includes the impact of the disposal of the Initial Facilities business, with proceeds of £250m. Included in the sale were £16.3m of transferred restricted cash balances relating to PFI contracts. The Company paid a dividend of £29.2m in 2014, £3.3m more than 2013.

Foreign exchange translation and other items reduced net debt by £40.5m, leaving an overall reduction in net debt of £262.9m compared to 30 June 2013 and a closing net debt of £859.2m.

CAPITAL EXPENDITURE

Net capital expenditure from continuing operations of £98.1m was £15.8m lower than in the first half of 2013 reflecting reduced levels of investment in restructuring programmes and IT. We expect capital expenditure to be around £210m for the full year.

PENSIONS

At 30 June the group's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £94.4m on the group's balance sheet. The group has recognised the pension surplus as an asset because the group has an unconditional right to a refund. The scheme Trustees value the scheme on a different basis and based on the valuation of 31 March 2013 the plan is 99% funded with an estimated deficit of £18m. This deficit is anticipated to be met by the investment return on pension assets over the period of the recovery plan. In order to mitigate the risk that it does not, annual contributions of c.£3m over the next six years will be paid into a joint escrow account by the group. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation, it will be funded from the escrow account.

FUNDING

At 30 June 2014 the group had net debt of £859.2m and a strong liquidity position, comprising over £110m of funds and £270m of available undrawn committed facilities.

Standard & Poor's upgraded the group's investment grade credit rating from BBB- to BBB in June 2014, reflecting the group's concentration on high margin core businesses following the sale of Initial Facilities and the group's strong funding position with no maturities until March 2016 and well spread maturities thereafter.

The directors continue to adopt the going concern basis in preparing the accounts on the basis that the group's strong liquidity position and ability to reduce operating capital expenditure or expenditure on bolt-on acquisitions are sufficient to meet the group's forecast funding needs, including those modelled in a downside case.

DIVIDEND

The Board has declared an interim dividend of 0.77p per share, amounting to £14.0m, payable on 16 September 2014 to shareholders on the register at the close of business on 15 August 2014. This is an increase of 10% on the interim dividend for 2013.

OUTLOOK

Six months in, our new strategy is on track, with revenue, profit and cash performance in the first half of the year in line with expectations. Revenue growth was particularly strong in our Pest Control category reflecting good growth in our Emerging and Growth quadrants, supported by improved organic performance and a number of pest control acquisitions. As expected, challenging trading conditions persist in our European businesses.

Profit growth in H1 reflects the benefit of more effective businesses and reduced overheads and has been achieved despite a decline in Benelux profits. With the actions we are taking to implement our strategy at pace, to drive improved revenue, profit and cash performance, we remain confident in making further progress for the remainder of the year; our outlook for the year remains unchanged.

THE DIFFERENTIATED PLAN TO DRIVE SHAREHOLDER VALUE

On 28 February 2014, the Company announced its plan to deliver sustainable revenue and profitable growth. The plan is based upon a new, more focused model for the company which includes the introduction of five geographic regions, a focus on three core categories of pest control, hygiene and workwear, the sharing of best practice within a lean operating model and delivering the highest standards of customer service through colleagues who are technical experts.

As part of this new model, the Company has also begun to manage the business by grouping its country operations and categories into a four-quadrant matrix – based upon their growth potential and profit contribution. Each quadrant has a different strategy, designed to maximise their performance.

The Company also announced in February the following medium-term targets:

1. **Driving higher revenue**: mid-single digit revenue growth, supported by M&A investment and divestment of non-core or poorly performing businesses
2. **Sustainable profit growth**: high single digit profit growth, leveraging revenue ambitions
3. **Improved free cash flow**: significant improvement in sustainable free cash flow which will be used to fund: M&A, progressive dividend policy, incremental reduction in debt

Strategy into Action (at CER)

Implementation of the Company's strategic plan began at pace in H1. An update on progress made in the first half of 2014 is outlined below by Revenue, Profit and Cash, and by Quadrant.

1. Driving higher revenue

Focus: Core categories of pest control, hygiene and workwear, six operational levers and M&A to build leadership positions, boost density, enter new markets or divest non-core businesses.

Progress Report:

- *Focus on core categories of pest control, hygiene and workwear*
    - Good ongoing revenue growth in Pest Control category in H1 (+6.7%), accelerated in the second quarter (+8.5%); the category continues to deliver good profit growth.
    - Improved ongoing revenue performance in hygiene (+1.3%) and workwear (+0.9%) categories in second quarter, however, profit impacted by Benelux.

- *Targeting our Offer (where to play) through Innovation*
    - The Company continued the roll out of Signature and Reflection hygiene ranges in H1 while developing additional range items including no-touch, compact and a range of new colours including gloss or metallic finishes.
    - A new Workwear range was launched in Germany to target customer-facing employees in supermarkets, stores, hotels and restaurants.
    - An innovative 3D body scanner was trialled in H1 to provide the perfect fit for workwear.
    - A new 'CleanVision' suit (with integrated hood and visor to minimise contamination) and website were launched in Cleanrooms.
    - In Pest we now have 80 customers across 200 locations in Netherlands and Belgium using PestConnect, our remote monitoring system. Following the success of this large-scale pilot, we are preparing for its roll-out to other markets.

- *Mastering our Markets (customer density and new markets) through M&A*
    - As reported earlier in this statement, the Company has accelerated its M&A programme to pursue targets in growth markets and to add local density to our existing operations. 17 deals completed with £34.7m annualised revenues

- *Sales effectiveness (Building the pipeline) through Digital excellence*
    - Following extensive customer research and development, the Company launched a new web presence for Rentokil in the UK in H1 which maximises search performance and adds local contacts. It contributed to a 15% increase in non-paid search traffic to the UK site in Q2 and an improved conversion rate. This will begin to roll out in H2.
    - H1 saw increased PR coverage driving web traffic and brand awareness.

Medium-term target: Mid-single digit revenue growth, supported by M&A

Company delivered increased organic revenue growth (+0.7%) and ongoing revenue (+2.7%) in H1

2. Sustainable profit growth

Focus: Revenue growth, pricing and margin growth with significant reduction in central and divisional overheads and restructuring costs, and by improving service productivity.

Progress Report:

- *Sales force to focus on yield management*
  - The Company made good progress in France in H1, while opportunities remain across the Group, especially Benelux, Germany and Asia
- *Service productivity*
  - The Company has identified further opportunities across the Group, combined with increased density from M&A.
- *Reduction in central and divisional overheads in 2014*
  - Reduction in central and divisional overheads of £5.4m in H1. The Company remains on track to deliver this significant reduction in overheads of £10m in 2014.
- *Branch admin rationalisation*
  - The Company has driven significant margin improvements in France, Australia and North America in H1.

Medium-term target: High single digit profit growth
7.7% profit growth in H1 2014 supported by above activities

3. Improved free cash flow

Focus: Managing working capital, bringing capex in line with depreciation and significantly reducing restructuring costs. Balanced use of cash to invest in M&A, pursue a progressive dividend policy and incremental reduction in debt (as outlined earlier in this statement).

Progress Report:

- *Lower capex*
  - The Company made good progress in H1 delivering a reduction of £15m
- *IT Capex <£25m*
  - The Company delivered half-year spend of £7m; full year investment estimated at £20m.
- *Significant reduction in reorganisation costs and one off items*
  - The Company's P&L charge reduced significantly in H1 at £2.4m versus £20.4m last year – with full year P&L estimated at £10m – cash cost of c£15m - (vs P&L impact of £60m in 2013).
- *Reduced working capital outflows*
  - The Company reduced working capital outflows by £13m in H1.

Targeting significant improvement in free cash flow in 2014
Company remains on track to deliver significant (c£80m) improvement in FCF in 2014

4. Implementation of differentiated quadrant matrix

Over the last six months, the Company's country operations, which have each been mapped against the four quadrants, began to implement differential strategies for the different quadrants. An update on progress is outlined below with examples of how the strategies are being put into action.

Emerging Quadrant

H1 revenue (ongoing) rose 18.7% in the Emerging quadrant, while profit (ongoing) was up 13.9% as the countries in this quadrant focused on building leading positions in pest control and hygiene, creating a pipeline of leads, mastering local markets and driving customer density.

In China, the Company continued to grow revenues, particularly in the food retail and food processing sectors, while a new focus on route density has begun to drive profitability. As part of the focus on targeting our offer (Mastering our Markets operational lever), this focus on route density has resulted in an increase in gross margin of 7.4% pts year on year. In India, the Company is now the third largest pest control company and accelerated growth with entry into Gujarat through a small acquisition in June.

In Latin America, Rentokil Initial made its first market entry into Chile with the acquisitions of Bestway and Chileno Allemena, which is particularly focused on the urban area of Santiago. In Brazil (Rentokil Initial is number two, currently focused on Rio and São Paulo) organic growth of 40% reflected the attractive market and the successful integration of the acquisitions.

Growth Quadrant

H1 revenue (ongoing) grew 4.3% in the Growth quadrant, while profit (ongoing) was up 7%. Countries in this quadrant are typically seeing good GDP and sector growth. Our businesses in this quadrant are focused on deploying a full range of operational levers to growth as well as using M&A to add density.

The Company's UK operations had an excellent first half. The business introduced new digital channels to build customer enquiries and boost colleague lead generation. New websites for Rentokil and Initial were launched and the company promoted the use of internal social media (Google+) as a way of sharing new sales leads. This has been successful with a 30% increase in leads helping to build the pipeline of new business.

Protect & Enhance Quadrant

H1 revenue (ongoing) fell 0.2% in the Protect & Enhance quadrant, while profit (ongoing) was down 4.1%. Countries in this quadrant are typically our higher margin, higher market share operations but in countries with low GDP growth. As expected, challenging trading conditions persist in our Protect & Enhance markets. A full range of operational levers are being applied with particular focus on service, retention, productivity and pricing.

In France, the company has undertaken a major review of pricing with actions grounded in detailed financial analysis - by customer, sector, branch, sales area. The business also introduced a focus on yield management with different pricing strategies for high and low margin customers. This was linked to a sales colleague incentivisation programme, covering both new sales and contract renewals. As a result, net margins in France rose 1.0% in H1, despite the difficult economic environment.

As the Company has highlighted for some time, the operational and financial performance of the Workwear and Hygiene categories in Benelux has been unacceptable. A combination of very tough economic conditions, highly competitive markets and disruption caused by workwear plant and system changes, led to levels of service in 2013 which were not to the high standards we expect, and this in turn led to a number of contract terminations.

In H1 2014, the Company put in place a new management team, stopped the change programme and focused the business on customer service in line with the company's retention and growth levers, as well as account management and sharper yield management. Performance of the Benelux business is a key priority.

Manage for Value Quadrant

H1 revenue (ongoing) fell 0.5% in the Manage for Value quadrant, while profit (ongoing) was up 3.7% as the country operations in this quadrant focused on retaining customers, aggressive cost management and enhancing productivity.

In Southern Europe, the strategy has been put into action through the introduction of a productivity improvement programme and divestment of a sub-scale operation.

The Company's Italian Hygiene business introduced a programme to improve service scheduling by re-zoned technicians to better fit with the density of its customer base. At the same time, a targeted up-sell programme supported the increase in density. As a result, the Hygiene business in Italy is now operating at a 6% improvement in productivity per technician and operating margins increased by 300bps in H1.

In the first half, the Company also divested its Medical services business in Spain. This business had market share of just 2% and annualised revenues of £2.3m. It operated in a highly competitive market, was sub-scale and had limited growth prospects. In line with the quadrant strategy, the proceeds have been reinvested in the quadrants of higher growth.

Appendix 1

Regional Analysis – continuing operations

£million	3 months to 30 June 2014 AER	Change from Q2 2013 AER	Change from Q2 2013 CER	6 months to 30 June 2014 AER	Change from HY 2013 AER	Change from HY 2013 CER
Revenue						
France	90.1	(2.3%)	2.3%	179.4	(2.0%)	1.3%
Benelux	56.9	(6.0%)	(1.5%)	113.2	(10.7%)	(7.7%)
Germany	49.5	(3.9%)	0.8%	98.3	(2.3%)	1.2%
Other Europe	22.6	18.9%	28.2%	40.2	8.6%	14.9%
Total Europe	**219.1**	**(1.8%)**	**3.1%**	**431.1**	**(3.6%)**	**(0.2%)**
UK & Ireland	48.5	5.9%	6.1%	94.7	4.4%	4.7%
Rest of World	28.6	(8.3%)	3.3%	56.7	(7.8%)	3.9%
UK & Rest of World	**77.1**	**0.1%**	**5.0%**	**151.4**	**(0.5%)**	**4.4%**
Asia	**23.7**	**(12.9%)**	**(0.4%)**	**46.2**	**(12.5%)**	**(0.4%)**
North America	**89.2**	**(3.8%)**	**5.4%**	**160.7**	**(3.2%)**	**5.0%**
Pacific	**33.0**	**(11.5%)**	**(0.3%)**	**65.0**	**(14.4%)**	**(0.6%)**
At actual exchange rates	**442.1**	**(3.3%)**		**854.4**	**(4.5%)**	
Exchange	24.3			42.3		
At constant exchange rates	**466.4**		3.4%	**896.7**		**1.5%**
Adjusted operating profit						
France	15.1	4.1%	8.4%	28.6	4.0%	7.3%
Benelux	9.2	(27.0%)	(23.2%)	17.7	(25.9%)	(23.8%)
Germany	11.1	(5.9%)	(1.7%)	21.6	(1.8%)	1.4%
Other Europe	3.4	9.7%	16.1%	5.7	9.6%	15.4%
Total Europe	**38.8**	**(7.6%)**	**(3.4%)**	**73.6**	**(6.4%)**	**(3.3%)**
UK & Ireland	9.5	3.3%	3.3%	17.6	1.7%	2.3%
Rest of World	7.1	(7.8%)	4.0%	13.3	(6.3%)	6.6%
UK & Rest of World	**16.6**	**(1.8%)**	**3.6%**	**30.9**	**(1.9%)**	**4.2%**
Asia	**1.5**	**(16.7%)**	**5.9%**	**3.1**	**(6.1%)**	**12.9%**
North America	**13.4**	**8.1%**	**17.2%**	**14.6**	**9.8%**	**19.1%**
Pacific	**6.5**	**(5.8%)**	**6.0%**	**12.7**	**(10.6%)**	**4.5%**
Central and divisional overheads	**(15.4)**	**16.3%**	**16.3%**	**(34.7)**	**13.7%**	**13.4%**
Segmental profit	**61.4**	**(0.3%)**	**8.0%**	**100.2**	**(0.5%)**	**7.7%**
Reorganisation costs and one-off items	**(0.3)**	**98.0%**	**98.0%**	**(2.3)**	**88.8%**	**88.2%**
Amortisation of intangible assets[1]	**(4.8)**	**2.0%**	**(6.4%)**	**(9.7)**	**4.0%**	**(3.0%)**
At actual exchange rates	**56.3**	**36.0%**		**88.2**	**25.8%**	
Exchange	3.7			5.8		
At constant exchange rates	**60.0**		**48.1%**	**94.0**		**36.8%**

[1] *excluding computer software*

Appendix 2

Category Analysis – continuing operations

£million	3 months to 30 June 2014 AER	Change from Q2 2013 AER	Change from Q2 2013 CER	6 months to 30 June 2014 AER	Change from HY 2013 AER	Change from HY 2013 CER
Revenue						
Pest Control	**181.6**	0.1%	8.5%	**334.8**	(1.1%)	6.7%
Hygiene	**113.1**	(6.6%)	(0.3%)	**225.8**	(6.5%)	(0.4%)
Workwear	**103.4**	(3.6%)	0.9%	**206.2**	(6.2%)	(3.1%)
Other	**44.0**	(7.4%)	(0.9%)	**87.6**	(7.1%)	(1.3%)
Total	**442.1**	(3.3%)	3.4%	**854.4**	(4.5%)	1.5%
Adjusted operating profit						
Pest Control	**37.8**	3.0%	10.0%	**59.1**	2.8%	9.3%
Hygiene	**21.8**	(10.7%)	(3.7%)	**43.5**	(9.4%)	(2.8%)
Workwear	**14.2**	(11.3%)	(6.9%)	**27.2**	(12.0%)	(8.8%)
Other	**3.0**	3.4%	6.9%	**5.1**	13.3%	20.5%
Central and divisional overheads	**(15.4)**	16.3%	16.3%	**(34.7)**	13.7%	13.4%
Total	**61.4**	(0.3%)	8.0%	**100.2**	(0.5%)	7.7%

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 30 June 2014

£m at constant 2014 exchange rates	1.4.14	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.14	30.6.14 at actual exchange
Europe	789.5	22.4	(25.4)	7.8	12.1	806.4	779.1
UK & Rest of World	252.3	10.7	(11.9)	0.8	0.0	251.9	241.8
Asia	87.7	5.9	(3.5)	0.0	0.3	90.4	82.2
North America	232.3	10.0	(9.3)	1.3	4.9	239.2	224.2
Pacific	116.1	4.2	(3.9)	0.8	0.0	117.2	106.5
TOTAL	1,477.9	53.2	(54.0)	10.7	17.3	1,505.1	1,433.8

6 Months to 30 June 2014

£m at constant 2014 exchange rates	1.1.14	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	30.6.14	30.6.14 at actual exchange
Europe	784.1	51.1	(56.2)	15.0	12.4	806.4	779.1
UK & Rest of World	245.5	21.6	(22.1)	3.2	3.7	251.9	241.8
Asia	85.3	12.0	(7.3)	0.1	0.3	90.4	82.2
North America	226.0	17.4	(17.2)	2.0	11.0	239.2	224.2
Pacific	115.7	7.7	(7.6)	1.4	0.0	117.2	106.5
TOTAL	1456.6	109.8	(110.4)	21.7	27.4	1,505.1	1,433.8

Definition of the above can be found on the Rentokil Initial website: www.rentokil-initial.com

Condensed consolidated income statement

	Notes	6 months to 30 June 2014 £m	*Restated** 6 months to 30 June 2013 £m	*Restated** Year to 31 December 2013 £m
Revenue	4	**854.4**	894.3	1,791.4
Operating expenses		**(766.2)**	(824.2)	(1,630.9)
Operating profit		**88.2**	70.1	160.5
Analysed as:				
Operating profit before amortisation and impairment of intangibles[1], reorganisation costs and one-off items	4	**100.2**	100.7	236.1
Reorganisation costs	4	**(3.1)**	(19.1)	(47.4)
One-off items - operating	4	**0.8**	(1.4)	(4.6)
Amortisation and impairment of intangible assets[1]	4	**(9.7)**	(10.1)	(23.6)
Operating profit	4	**88.2**	70.1	160.5
Interest payable and similar charges		**(29.3)**	(35.2)	(70.5)
Interest receivable		**4.4**	7.2	10.9
Net interest credit from pensions	9	**1.3**	2.9	5.5
One-off items – financing		**-**	-	1.5
Share of profit from associates (net of tax)		**2.2**	3.1	4.3
Profit before income tax		**66.8**	48.1	112.2
Income tax expense[2]		**(14.8)**	(11.0)	(28.9)
Profit for the period from continuing operations		**52.0**	37.1	83.3
Discontinued operations:				
Profit/(loss) for the period from discontinued operations	5	**135.8**	(47.6)	(44.6)
Profit/(loss) for the period (including discontinued operations)		**187.8**	(10.5)	38.7
Attributable to:				
Equity holders of the company		**187.7**	(11.4)	37.5
Non-controlling interests		**0.1**	0.9	1.2
		187.8	(10.5)	38.7
Basic earnings per share				
- Continuing operations	6	**2.86p**	1.99p	4.52p
- Discontinued operations	6	**7.47p**	(2.62p)	(2.45p)
- Continuing and discontinued operations	6	**10.33p**	(0.63p)	2.06p
Diluted earnings per share				
- Continuing operations	6	**2.85p**	1.99p	4.50p
- Discontinued operations	6	**7.45p**	(2.62p)	(2.45p)
- Continuing and discontinued operations	6	**10.30p**	(0.63p)	2.06p
Basic adjusted earnings per share[3]				
- Continuing operations	6	**3.26p**	3.04p	7.36p
Diluted adjusted earnings per share[3]				
- Continuing operations	6	**3.25p**	3.03p	7.33p

[1] *excluding computer software*
[2] *taxation includes £11.9m (HY 2013: £9.1m, FY 2013: £32.5m) in respect of overseas taxation*
[3] *earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items and net interest credit on pensions*
**restated for the sale of the Initial Facilities business. Please refer to note 5 for further details*

Condensed consolidated statement of comprehensive income

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Profit/(loss) for the period (including discontinued operations)	**187.8**	(10.5)	38.7
Other comprehensive income:			
Items that are not reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit asset/liability	**21.5**	(17.4)	(75.6)
Tax related to remeasurement of net defined benefit asset/liability	**(4.3)**	4.0	18.6
Items that may be reclassified subsequently to profit or loss:			
Net exchange adjustments offset in reserves	**8.1**	(8.9)	(33.1)
Revaluation of available-for-sale investments	**-**	(0.4)	(0.5)
Available-for-sale investments reclassified to the income statement	**-**	-	(1.5)
Effective portion of changes in fair value of cash flow hedge	**0.6**	0.8	1.2
Cumulative exchange recycled to income statement on disposal of foreign operations	**0.6**	-	-
Total other comprehensive income / (expense)	**26.5**	(21.9)	(90.9)
Total comprehensive income / (expense)	**214.3**	(32.4)	(52.2)
Attributable to:			
Equity holders of the company	**214.2**	(32.9)	(52.7)
Non-controlling interests	**0.1**	0.5	0.5
	214.3	(32.4)	(52.2)

Condensed consolidated balance sheet

	Notes	**At 30 June 2014 £m**	At 30 June 2013 £m	At 31 December 2013 £m
Assets				
Non-current assets				
Intangible assets		**410.1**	458.2	425.0
Property, plant and equipment		**517.4**	553.1	537.1
Investment property		**4.3**	4.4	4.4
Investments in associated undertakings		**15.2**	15.8	13.0
Other investments		**0.1**	0.1	0.2
Deferred tax assets		**6.7**	8.2	9.2
Retirement benefit assets	9	**94.4**	124.6	70.6
Other receivables		**7.7**	22.5	8.2
Derivative financial instruments		**4.3**	-	0.2
		1,060.2	1,186.9	1,067.9
Current assets				
Other investments		**50.6**	2.1	292.0
Inventories		**64.0**	63.9	63.8
Trade and other receivables		**333.1**	450.8	417.4
Current tax assets		**5.7**	4.8	5.7
Derivative financial instruments		**2.2**	5.9	3.4
Cash and cash equivalents		**117.3**	122.9	143.8
		572.9	650.4	926.1
Liabilities				
Current liabilities				
Trade and other payables		**(384.4)**	(481.9)	(492.8)
Current tax liabilities		**(66.9)**	(61.5)	(66.5)
Provisions for other liabilities and charges		**(23.8)**	(33.4)	(30.0)
Bank and other short-term borrowings	8	**(32.5)**	(492.2)	(444.2)
Derivative financial instruments		**(3.2)**	(9.6)	(7.8)
		(510.8)	(1,078.6)	(1,041.3)
Net current assets / liabilities		**62.1**	(428.2)	(115.2)
Non-current liabilities				
Other payables		**(14.7)**	(16.3)	(13.0)
Bank and other long-term borrowings	8	**(999.7)**	(754.9)	(1,022.5)
Deferred tax liabilities		**(63.7)**	(81.9)	(62.7)
Retirement benefit obligations	9	**(23.1)**	(25.4)	(23.6)
Provisions for other liabilities and charges		**(66.5)**	(66.6)	(62.9)
Derivative financial instruments		**(0.6)**	-	-
		(1,168.3)	(945.1)	(1,184.7)
Net liabilities		**(46.0)**	(186.4)	(232.0)
Equity				
Capital and reserves attributable to the company's equity holders				
Called up share capital		**18.2**	18.1	18.2
Share premium account		**6.8**	6.8	6.8
Other reserves		**(1,781.5)**	(1,765.1)	(1,790.2)
Retained profits		**1,710.3**	1,548.5	1,533.1
		(46.2)	(191.7)	(232.1)
Non-controlling interests		**0.2**	5.3	0.1
Total equity		**(46.0)**	(186.4)	(232.0)

Condensed consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	Other reserves £m	*Restated* Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2013	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
(Loss)/profit for the period	-	-	-	(11.4)	0.9	(10.5)
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(8.5)	-	(0.4)	(8.9)
Remeasurement of net defined benefit asset/liability	-	-	-	(17.4)	-	(17.4)
Revaluation of available-for-sale investments	-	-	(0.4)	-	-	(0.4)
Movement on cash flow hedge reserve	-	-	0.8	-	-	0.8
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	4.0	-	4.0
Total comprehensive income/(expense) for the period	-	-	(8.1)	(24.8)	0.5	(32.4)
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(25.9)	-	(25.9)
Cost of share options and long-term incentive plan	-	-	-	1.0	-	1.0
Transactions with non-controlling interests:						
Dividends paid to non-controlling interests	-	-	-	-	(1.9)	(1.9)
At 30 June 2013	18.1	6.8	(1,765.1)	1,548.5	5.3	(186.4)
At 1 January 2013	18.1	6.8	(1,757.0)	1,598.2	6.7	(127.2)
Profit for the year	-	-	-	37.5	1.2	38.7
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(32.4)	-	(0.7)	(33.1)
Remeasurement of net defined benefit asset/liability	-	-	-	(75.6)	-	(75.6)
Revaluation of available-for-sale investments	-	-	(0.5)	-	-	(0.5)
Effective portion of changes in fair value of cash flow hedge	-	-	(1.5)	-	-	(1.5)
Recycling of cash flow hedge reserve on settlement	-	-	1.2	-	-	1.2
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	18.6	-	18.6
Total comprehensive income/(expense) for the year	-	-	(33.2)	(19.5)	0.5	(52.2)
Transactions with owners:						
Issue of ordinary shares	0.1	-	-	(0.1)	-	-
Dividends paid to equity shareholders	-	-	-	(38.6)	-	(38.6)
Cost of share options and long-term incentive plan	-	-	-	2.0	-	2.0
Transactions with non controlling interests:						
Acquisition of non-controlling interests	-	-	-	(8.9)	(3.7)	(12.6)
Dividends paid to non-controlling interests	-	-	-	-	(3.4)	(3.4)
At 31 December 2013	18.2	6.8	(1,790.2)	1,533.1	0.1	(232.0)
At 1 January 2014	**18.2**	**6.8**	**(1,790.2)**	**1,533.1**	**0.1**	**(232.0)**
Profit for the period	**-**	**-**	**-**	**187.7**	**0.1**	**187.8**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**-**	**-**	**8.1**	**-**	**-**	**8.1**
Remeasurement of net defined benefit asset/liability	**-**	**-**	**-**	**21.5**	**-**	**21.5**
Revaluation of available-for-sale investments	**-**	**-**	**-**	**-**	**-**	**-**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**0.6**	**-**	**-**	**0.6**
Cumulative exchange recycled to income statement on disposal of foreign operations	**-**	**-**	**-**	**0.6**	**-**	**0.6**
Tax related to remeasurement of net defined benefit asset/liability	**-**	**-**	**-**	**(4.3)**	**-**	**(4.3)**
Total comprehensive income for the period	**-**	**-**	**8.7**	**205.5**	**0.1**	**214.3**
Transactions with owners:						
Dividends paid to equity shareholders	**-**	**-**	**-**	**(29.2)**	**-**	**(29.2)**
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**0.9**	**-**	**0.9**
At 30 June 2014	**18.2**	**6.8**	**(1,781.5)**	**1,710.3**	**0.2**	**(46.0)**

Treasury shares of £11.1m (HY 2013: £11.1m, FY 2013: £11.1m) have been netted against retained earnings. Treasury shares represent 6.0m (HY 2013: 6.1m, FY 2013: 6.0m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2014 was £6.7m (HY 2013: £5.4m, FY 2013: £6.9m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Condensed consolidated statement of changes in equity (continued)

Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Translation reserve £m	Available-for-sale £m	Total £m
At 1 January 2013	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	-	-	-	(8.5)	-	(8.5)
Revaluation of available-for-sale investments	-	-	-	-	(0.4)	(0.4)
Effective portion of changes in fair value of cash flow hedge	-	-	0.8	-	-	0.8
Total comprehensive income/(expense) for the period	-	-	0.8	(8.5)	(0.4)	(8.1)
At 30 June 2013	(1,722.7)	10.4	(0.3)	(54.1)	1.6	(1,765.1)
At 1 January 2013	(1,722.7)	10.4	(1.1)	(45.6)	2.0	(1,757.0)
Net exchange adjustments offset in reserves	-	-	-	(32.4)	-	(32.4)
Revaluation of available-for-sale investments	-	-	-	-	(0.5)	(0.5)
Available-for-sale investments reclassified to the income statement	-	-	-	-	(1.5)	(1.5)
Effective portion of changes in fair value of cash flow hedge	-	-	1.2	-	-	1.2
Total comprehensive income/(expense) for the year	-	-	1.2	(32.4)	(2.0)	(33.2)
At 31 December 2013	(1,722.7)	10.4	0.1	(78.0)	-	(1,790.2)
At 1 January 2014	**(1,722.7)**	**10.4**	**0.1**	**(78.0)**	**-**	**(1,790.2)**
Net exchange adjustments offset in reserves	**-**	**-**	**-**	**8.1**	**-**	**8.1**
Revaluation of available-for-sale investments	**-**	**-**	**-**	**-**	**-**	**-**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**0.6**	**-**	**-**	**0.6**
Total comprehensive income/(expense) for the period	**-**	**-**	**0.6**	**8.1**	**-**	**8.7**
At 30 June 2014	**(1,722.7)**	**10.4**	**0.7**	**(69.9)**	**-**	**(1,781.5)**

The capital reduction reserve arose in 2005 as a result of the scheme of arrangement of Rentokil Initial 1927 plc under section 425 of the Companies Act 1985 to introduce a new holding company, Rentokil Initial plc and the subsequent reduction in capital approved by the High Court whereby the nominal value of each ordinary share was reduced from 100p to 1p.

Condensed consolidated cash flow statement

	Notes	**6 months to 30 June 2014 £m**	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Profit / (loss) for the period		**187.8**	(10.5)	38.7
Adjustments for:				
- (Profit) / loss on sale of discontinued operations excluding costs of disposal	5	**(146.0)**	24.1	26.1
- Discontinued operations tax	5	**0.5**	(2.8)	(2.7)
- Tax		**14.8**	12.0	31.4
- Share of profit from associates		**(2.2)**	(3.1)	(4.3)
- One-off items – financing		**-**	-	(1.5)
- Net interest credit from pensions		**(1.3)**	(2.9)	(5.5)
- Interest income		**(4.4)**	(7.2)	(10.9)
- Interest expense		**29.3**	35.3	70.9
Operating profit (continuing and discontinued activities)		**78.5**	44.9	142.2
Reversal of non-cash items:				
- Depreciation and impairment of tangible assets		**87.0**	96.3	188.3
- Depreciation and impairment of investment properties		**-**	3.5	3.5
- Amortisation and impairment of intangible assets[1]		**10.1**	11.7	26.9
- Amortisation of computer software		**5.9**	7.3	17.0
- LTIP charges		**0.9**	1.0	2.0
- Other non-cash items		**-**	(0.2)	0.7
- (Profit)/ loss on sale of property, plant and equipment		**(0.2)**	0.8	3.4
- Loss on disposal / retirement of intangible assets		**-**	-	1.9
- Profit/loss on disposal of companies and businesses (not included within discontinued operations)		**(3.1)**	-	1.2
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):				
- Inventories		**(4.2)**	(8.1)	(11.5)
- Trade and other receivables		**(38.7)**	(17.4)	(0.6)
- Trade and other payables and provisions		**(20.2)**	(46.8)	(26.0)
Cash generated from operating activities before special pension contribution		**116.0**	93.0	349.0
Special pension contribution		**-**	(12.5)	(13.6)
Cash generated from operating activities		**116.0**	80.5	335.4
Interest received		**5.3**	6.9	10.6
Interest paid		**(39.3)**	(36.7)	(60.9)
Income tax paid		**(12.4)**	(17.6)	(37.2)
Net cash generated from operating activities		**69.6**	33.1	247.9
Cash flows from investing activities				
Purchase of property, plant and equipment (PPE)		**(92.2)**	(98.9)	(201.1)
Purchase of intangible fixed assets		**(5.6)**	(14.0)	(27.6)
Proceeds from sale of PPE		**3.1**	1.9	6.3
Acquisition of companies and businesses, net of cash acquired	12	**(41.7)**	(4.8)	(12.0)
Disposal of companies and businesses		**253.1**	0.9	2.0
Disposal of restricted cash		**(16.3)**	-	-
Disposal of available-for-sale investments		**-**	1.3	1.2
Dividends received from associates		**-**	-	1.9
Net cash flows from investing activities		**100.4**	(113.6)	(229.3)
Cash flows from financing activities				
Dividends paid to equity shareholders		**(29.2)**	(25.9)	(38.6)
Dividends paid to non controlling interests		**-**	(1.9)	(3.4)
Interest element of finance lease payments		**(0.4)**	(0.5)	(0.9)
Capital element of finance lease payments		**(4.0)**	(3.6)	(8.1)
Cash inflow on settlement of debt related foreign exchange forward contracts		**(5.4)**	10.1	5.7
Proceeds from issue of debt		**2.6**	-	290.4
Investment in term deposits		**241.5**	(2.1)	(292.1)
Net loan repayments		**(400.1)**	-	(50.0)
Net cash flows from financing activities		**(195.0)**	(23.9)	(97.0)
Net (decrease) in cash and cash equivalents		**(25.0)**	(104.4)	(78.4)
Cash and cash equivalents at beginning of year		**143.4**	218.9	218.9
Exchange (losses)/gains on cash and cash equivalents		**(4.7)**	5.2	2.9
Cash and cash equivalents at end of the financial period		**113.7**	**119.7**	**143.4**

[1] excluding computer software

Notes to the condensed financial statements

1. General information

The Company is a limited liability company incorporated and domiciled in the UK with a listing on the London Stock Exchange.

The address of its registered office is Rentokil Initial plc, Riverbank, Meadows Business Park, Blackwater.

The condensed consolidated half-yearly financial information for the half-year to 30 June 2014 was approved for issue on 31 July 2014.

On pages 27 to 28 of the Annual Report 2013 we set out the group's approach to risk management and define the principal risks that are most relevant to the group as (a) achieving profitable growth and cash flows in the face of a weakening of the economies in which we operate, particularly Europe, and (b) managing the number, scope, complexity and interdependency of many initiatives necessary to deliver improved capabilities of our people, excellence across the group's operations and outstanding service to our customers. These risks are further disaggregated and mapped against the group's strategic thrusts and include a number of "assurance risks" which relate to activities that the group must undertake in order to meet legal, fiscal and governance obligations.

In our view the principal risks remain unchanged from those indicated in the Annual Report 2013 and actions continue to be taken to substantially mitigate the impact of such risks, should they materialise.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2013. The comparative figures for the year ended 31 December 2013 are not the group's statutory accounts for that financial year. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2013 except for the changes described in note 3.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those financial statements.

The preparation of the condensed interim financial information for the half-year ended 30 June 2014 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Significant seasonal or cyclical variations in the group's total revenues are not experienced during the financial year.

3. Accounting policies (continued)

Changes in accounting policies

The Group has adopted the following standards with effect from 1 January 2014.

- Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28);
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32;
- Recoverable amount disclosures for non-financial assets –Amendments to IAS 36; and
- Continuing hedge accounting after derivative novations – Amendments to IAS 39.

These standards have had no impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013 or 30 June 2013.

All other accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.
As described on page 22 of the Annual Report 2013, in 2014 the group has changed parts of the way it manages its businesses, with a resulting change to the segmental analysis under IFRS 8 – Operating Segments. The East and West regions have been replaced by regional clusters. The new structure is reflected in the segmental analysis in note 4.

The group sold the Initial Facilities business on 18 March 2014 so this business is now reclassified from continuing to discontinued operations in the income statement for 2014 and the comparative income statements for 2013 have been restated as shown in the following tables.

Condensed consolidated income statement

For the six months ended 30 June 2013	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Revenue	1,166.3	(272.0)	894.3
Operating expenses	(1,092.3)	268.1	(824.2)
Operating profit	74.0	(3.9)	70.1
Analysed as:			
Operating profit before amortisation and impairment of intangibles, reorganisation costs and one-off items	112.6	(11.9)	100.7
Reorganisation costs	(25.4)	6.3	(19.1)
One-off items – operating	(1.5)	0.1	(1.4)
Amortisation and impairment of intangible assets	(11.7)	1.6	(10.1)
Operating profit	74.0	(3.9)	70.1
Interest payable and similar charges	(35.3)	0.1	(35.2)
Interest receivable	7.2	-	7.2
Net interest credit from pensions	2.9	-	2.9
Share of profit from associates (net of tax)	3.1	-	3.1
Profit before income tax	51.9	(3.8)	48.1
Income tax expense	(12.0)	1.0	(11.0)
Profit for the period from continuing operations	39.9	(2.8)	37.1

For the year ended 31 December 2013	As previously reported £m	Adjustment for discontinued operations £m	As restated £m
Revenue	2,327.1	(535.7)	1,791.4
Operating expenses	(2,155.8)	524.9	(1,630.9)
Operating profit	171.3	(10.8)	160.5
Analysed as:			
Operating profit before amortisation and impairment of intangibles, reorganisation costs and one-off items	261.9	(25.8)	236.1
Reorganisation costs	(51.7)	4.3	(47.4)
One-off items – operating	(12.0)	7.4	(4.6)
Amortisation and impairment of intangible assets	(26.9)	3.3	(23.6)
Operating profit	171.3	(10.8)	160.5
Interest payable and similar charges	(70.9)	0.4	(70.5)
Interest receivable	10.9	-	10.9
Net interest credit from pensions	5.5	-	5.5
One-off items – financing	1.5	-	1.5
Share of profit from associates (net of tax)	4.3	-	4.3
Profit before income tax	122.6	(10.4)	112.2
Income tax expense	(31.4)	2.5	(28.9)
Profit for the period from continuing operations	91.2	(7.9)	83.3

4. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009.

As described on page 22 of the Annual Report 2013, in 2014 the group has changed parts of the way it manages its businesses, with a resulting change to the segmental analysis under IFRS 8 – Operating Segments. The East and West regions have been replaced by regional clusters. Prior-year comparisons have been restated. References to adjusted operating profit and adjusted profit before tax also exclude reorganisation costs and one-off items that have had a significant impact on the results of the group.

Continuing operations (at actual exchange rates)	**Revenue** **6 months to 30 June 2014 £m**	*Restated* Revenue 6 months to 30 June 2013 £m	*Restated* Revenue Year to 31 December 2013 £m	**Adjusted operating profit 6 months to 30 June 2014 £m**	*Restated* Adjusted operating profit 6 months to 30 June 2013 £m	*Restated* Adjusted operating profit Year to 31 December 2013 £m
France	**179.4**	183.0	369.8	**28.6**	27.5	64.2
Benelux	**113.2**	126.8	247.8	**17.7**	23.9	51.2
Germany	**98.3**	100.6	202.8	**21.6**	22.0	46.3
Other Europe	**40.2**	37.0	74.9	**5.7**	5.2	12.6
Europe	**431.1**	447.4	895.3	**73.6**	78.6	174.3
UK & Ireland	**94.7**	90.7	184.3	**17.6**	17.3	38.2
Rest of World	**56.7**	61.5	121.1	**13.3**	14.2	29.2
UK & Rest of World	**151.4**	152.2	305.4	**30.9**	31.5	67.4
Asia	**46.2**	52.8	103.7	**3.1**	3.3	7.7
North America	**160.7**	166.0	344.3	**14.6**	13.3	37.1
Pacific	**65.0**	75.9	142.7	**12.7**	14.2	27.1
Central and divisional costs	**-**	-	-	**(34.7)**	(40.2)	(77.5)
Total segmental	**854.4**	894.3	1,791.4	**100.2**	100.7	236.1
Reorganisation costs	**-**	-	-	**(3.1)**	(19.1)	(47.4)
One-off items – operating	**-**	-	-	**0.8**	(1.4)	(4.6)
Amortisation of intangible assets[1]	**-**	-	-	**(9.7)**	(10.1)	(20.2)
Impairment of goodwill	**-**	-	-	**-**	-	(3.4)
Operating profit	**-**	-	-	**88.2**	70.1	160.5
Interest payable and similar charges	**-**	-	-	**(29.3)**	(35.2)	(70.5)
Interest receivable	**-**	-	-	**4.4**	7.2	10.9
Net interest credit from pensions	**-**	-	-	**1.3**	2.9	5.5
One-offs – financing	**-**	-	-	**-**	-	1.5
Share of profit from associates (net of tax) - Asia	**-**	-	-	**2.2**	3.1	4.3
Profit before income tax	**-**	-	-	**66.8**	48.1	112.2
Income tax expense	**-**	-	-	**(14.8)**	(11.0)	(28.9)
Total for the period from continuing operations	**854.4**	894.3	1,791.4	**52.0**	37.1	83.3

Reorganisation costs and one off items – operating (at actual exchange rates)	**6 months to 30 June 2014 £m**	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Europe	**(0.6)**	14.9	24.9
UK & Rest of World	**0.8**	1.8	7.4
Asia	**0.2**	0.2	0.6
North America	**0.6**	1.4	2.1
Pacific	**0.3**	1.2	2.3
Central and divisional	**1.0**	1.0	14.7
	2.3	20.5	52.0

Amortisation and impairment of intangibles[1] (at actual exchange rates)	**6 months to 30 June 2014 £m**	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Europe	**1.9**	2.1	4.1
UK & Rest of World	**1.5**	1.3	3.3
Asia	**0.5**	0.6	4.5
North America	**5.0**	5.6	10.4
Pacific	**0.1**	0.2	0.3
Central and divisional	**0.7**	0.3	1.0
	9.7	10.1	23.6

[1] *excluding computer software*

4. Segmental information (continued)

Reorganisation costs and one-off items – operating (before tax at actual exchange rates)	**6 months to 30 June 2014**	*Restated* 6 months to 30 June 2013	*Restated* Year to 31 December 2013
	£m	£m	£m
Europe			
Reorganisation costs – France[1]	**1.2**	4.0	9.9
Reorganisation costs – Benelux[1]	**-**	5.1	7.1
Reorganisation costs – Germany[1]	**-**	4.6	4.9
Reorganisation costs – Other Europe[1]	**0.4**	1.2	1.9
Acquisition/disposal/impairment costs[2]	**(2.2)**	-	1.1
Total – Europe	**(0.6)**	14.9	24.9
UK & Rest of World			
Reorganisation costs – UK & Ireland[1]	**0.3**	1.3	5.7
Reorganisation costs – Rest of World[1]	**-**	0.5	1.7
Acquisition costs – UK Pest	**0.5**	-	-
Total – UK & Rest of World	**0.8**	1.8	7.4
Asia			
Reorganisation costs – Asia[1]	**0.2**	0.2	0.4
Loss on disposal – South Korea	**-**	-	0.2
Total – Asia	**0.2**	0.2	0.6
North America			
Acquisition and integration costs – Western Exterminator	**0.6**	1.8	2.5
Release of unpaid contingent consideration	**-**	(0.4)	(0.4)
Total North America	**0.6**	1.4	2.1
Pacific			
Reorganisation costs – Australia[1]	**0.3**	1.2	2.3
Total Pacific	**0.3**	1.2	2.3
Central and divisional overheads			
Reorganisation costs – Central and divisional overheads[1]	**0.7**	1.0	13.5
Vacant property provisions	**0.3**	-	1.2
Total – Central and divisional overheads	**1.0**	1.0	14.7
Total	**2.3**	20.5	52.0
Classified as:			
Reorganisation costs	**3.1**	19.1	47.4
One-off items	**(0.8)**	1.4	4.6
Total	**2.3**	20.5	52.0

Additional notes in respect of 2013/14 one-off items

[1] *relates to the reorganisation of business units into the integrated country operating model and includes redundancy of employees and office closure costs*

[2] *relates to the costs and consideration received for the disposal of the Spain Medical Services business, impairment of the flat linen business (2013) and other acquisition costs*

5. Discontinued operations and disposals

On 18 March 2014 the group sold the Initial Facilities (IF) division. The division was not previously classified as held for sale or as a discontinued operation. The comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this division early in 2014, following a decision to concentrate on the group's core international businesses in pest control, hygiene and workwear. On 26 April 2013 the group sold the City Link (CL) division. The comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

The results of the discontinued operations are as follows:

	6 months to 30 June 2014	6 months to 30 June 2013 (IF)	6 months to 30 June 2013 (CL)	**6 months to 30 June 2013 (TOTAL)**	Year to 31 December 2013 (IF)	Year to 31 December 2013 (CL)	**Year to 31 December 2013 (TOTAL)**
	£m	£m	£m	**£m**	**£m**	£m	**£m**
Revenue	**85.5**	272.0	94.8	**366.8**	535.7	94.8	**630.5**
Operating expenses	**(84.8)**	(268.1)	(109.0)	**(377.1)**	(524.9)	(109.0)	**(633.9)**
Operating profit / (loss)	**0.7**	3.9	(14.2)	**(10.3)**	10.8	(14.2)	**(3.4)**
Interest payable	**-**	(0.1)	-	**(0.1)**	(0.4)	-	**(0.4)**
Income tax benefit / (charge)	**(0.5)**	(1.0)	2.8	**1.8**	(2.5)	2.7	**0.2**
Operating profit/(loss) net of tax	**0.2**	2.8	(11.4)	**(8.6)**	7.9	(11.5)	**(3.6)**
Profit / (loss) on sale of discontinued operation	**135.6**	-	(39.0)	**(39.0)**	-	(41.0)	**(41.0)**
Profit / (loss) for the period	**135.8**	2.8	(50.4)	**(47.6)**	7.9	(52.5)	**(44.6)**
Basic earnings per share (note 6)	**7.47p**			**(2.62p)**			**(2.45p)**
Diluted earnings per share (note 6)	**7.45p**			**(2.62p)**			**(2.45p)**

The profit from discontinued operations of £135.8m (HY 2013: loss of £47.6m, FY 2013: loss of £44.6m) is attributable entirely to the owners of the Company.

Details of cash flows from discontinued operations are as follows:

	6 months to 30 June 2014	6 months to 30 June 2013 (IF)	6 months to 30 June 2013 (CL)	**6 months to 30 June 2013 (TOTAL)**	Year to 31 December 2013 (IF)	Year to 31 December 2013 (CL)	**Year to 31 December 2013 (TOTAL)**
	£m	£m	£m	**£m**	£m	£m	**£m**
Net cash used in operating activities	**(33.0)**	(22.4)	(22.4)	**(44.8)**	8.2	(22.4)	**(14.2)**
Net cash generated in investing activities	**232.4**	(2.6)	(3.7)	**(6.3)**	(4.4)	(3.7)	**(8.1)**
Effect on cash flows	**199.4**	(25.0)	(26.1)	**(51.1)**	3.8	(26.1)	**(22.3)**

Details of net assets disposed and disposal proceeds for HY2014 (Initial Facilities disposal) are as follows:

	30 June 2014
	£m
Non-current assets	
- Intangible assets	**39.8**
- Property, plant and equipment	**7.7**
Current assets	**138.1**
Current liabilities	**(81.6)**
Net assets and liabilities	**104.0**
Cumulative FX recycled	**0.6**
Pension curtailment	**(0.6)**
Costs of disposal	**10.4**
Consideration	**(250.0)**
Profit on disposal	**(135.6)**
Consideration	**250.0**
Cash and cash equivalents disposed of	**(16.3)**
Net cash outflow from discontinued operations	**233.7**

Details of net assets disposed and disposal proceeds for HY2013 (City Link disposal) are as follows:

	30 June 2013
	£m
Non-current assets	
- Intangible assets	**4.9**
- Property, plant and equipment	**12.5**
Current assets	**46.8**
Current liabilities	**(38.9)**
Non-current liabilities	**(1.2)**
Net assets and liabilities	**24.1**
Costs of disposal	**14.9**
Consideration	**-**
Loss on disposal	**39.0**
Consideration	**-**
Cash and cash equivalents disposed of	**(3.1)**
Net cash outflow from discontinued operations	**(3.1)**

6. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of shares in issue during the period, excluding those held in the Rentokil Initial Employee Share Trust for UK employees (see note at the bottom of the condensed consolidated statement of changes in equity), which are treated as cancelled.

	6 months to 30 June 2014 £m	*Restated* 6 months to 30 June 2013 £m	*Restated* Year to 31 December 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**51.9**	36.2	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	**135.8**	(47.6)	(44.6)
Weighted average number of ordinary shares in issue (million)	**1,817.1**	1,817.0	1,817.1
Basic earnings per share from continuing operations	**2.86p**	1.99p	4.52p
Basic earnings per share from discontinued operations	**7.47p**	(2.62p)	(2.45p)
Basic earnings per share from continuing and discontinued operations	**10.33p**	(0.63p)	2.06p

Diluted

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares. The group has two types of potential dilutive ordinary shares – those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period; and the contingent issuable shares under the group's long-term incentive share plans, to the extent the performance conditions have been met at the end of the period.

	6 months to 30 June 2014 £m	*Restated* 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**51.9**	36.2	82.1
Profit/(loss) from discontinued operations attributable to equity holders of the Company	**135.8**	(47.6)	(44.6)
Weighted average number of ordinary shares in issue (million)	**1,817.1**	1,817.0	1,817.1
Adjustment for share options and LTIPs	**5.9**	6.3	6.0
Weighted average number of ordinary shares for diluted earnings per share	**1,823.0**	1,823.3	1,823.1
Diluted earnings per share from continuing operations	**2.85p**	1.99p	4.50p
Diluted earnings per share from discontinued operations	**7.45p**	(2.62p)	(2.45p)
Diluted earnings per share from continuing and discontinued operations	**10.30p**	(0.63p)	2.06p

Adjusted

Adjusted earnings per share is the basic earnings per share adjusted for the after tax effects of reorganisation costs and one-off items, amortisation and impairment of intangibles[1] and net interest credit from pensions. Prior year comparatives have been restated to reflect the change in definition of adjusted earnings per share in 2013.

	6 months to 30 June 2014 £m	*Restated* 6 months to 30 June 2013 £m	*Restated* Year to 31 December 2013 £m
Profit from continuing operations attributable to equity holders of the Company	**51.9**	36.2	82.1
Reorganisation costs and one-off items, amortisation and impairment of intangibles[1] before tax and net interest credit from pensions	**10.7**	27.7	68.6
Tax on reorganisation costs and one-off items, amortisation and impairment of intangibles[1] and net interest credit from pensions	**(3.4)**	(8.6)	(17.0)
After tax effect of reorganisation costs and one-off items, amortisation and impairment of intangibles[1] and net interest credit from pensions attributable to non-controlling interests	**-**	-	-
Adjusted profit from continuing operations attributable to equity holders of the Company	**59.2**	55.3	133.7
Weighted average number of ordinary shares in issue (million)	**1,817.1**	1,817.0	1,817.1
Adjusted earnings per share from continuing operations	**3.26p**	3.04p	7.36p

Diluted adjusted

	6 months to 30 June 2014 £m	*Restated* 6 months to 30 June 2013 £m	*Restated* Year to 31 December 2013 £m
Adjusted profit attributable to equity holders of the company	**59.2**	55.3	133.7
Weighted average number of ordinary shares in issue (million)	**1,817.1**	1,817.0	1,817.1
Adjustment for share options and LTIPs	**5.9**	6.3	6.0
Weighted average number of ordinary shares for diluted earnings per share	**1,823.0**	1,823.3	1,823.1
Diluted adjusted earnings per share from continuing operations	**3.25p**	3.03p	7.33p

[1] *excluding computer software*

7. Dividends

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
2012 final dividend paid – 1.43p per share	**-**	25.9	25.9
2013 interim dividend paid – 0.70p per share	**-**	-	12.7
2013 final dividend paid – 1.61p per share	**29.2**	-	-
	29.2	25.9	38.6

The directors have declared an interim dividend of 0.77p per share amounting to £14.0m payable on 16 September 2014 to shareholders on the register at 15 August 2014. The Company has a progressive dividend policy and will take a view on the level of any growth for 2014 based on the year-end results. These interim financial statements do not reflect this dividend payable.

8. Bank and other borrowings

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Non-current			
RCF and other bank borrowings	**0.3**	0.2	0.2
Bond debt	**982.1**	736.1	1,008.6
Finance lease liabilities	**17.3**	18.6	13.7
	999.7	754.9	1,022.5
Current			
Bank overdrafts	**3.6**	3.2	0.4
Bank borrowings	**2.5**	0.4	0.5
Bond debt	**-**	464.2	402.7
Bond accruals	**21.4**	20.5	33.4
Finance lease liabilities	**5.0**	3.9	7.2
	32.5	492.2	444.2
Total bank and other borrowings	**1,032.2**	1,247.1	1,466.7

Medium term notes and bond debt comprises:

	Bond interest coupon	**Effective hedged interest rate**
Non current		
£300m bond due March 2016	Fixed 5.75%	Fixed 4.48%
€500m bond due September 2019	Fixed 3.375%	Fixed 3.57%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.90%
£1.3m debentures	Fixed 5.00%	Fixed 5.00%
£0.3m debentures	Fixed 4.50%	Fixed 4.50%
Average cost of bond debt at period end rates		3.94%

The group has one committed Revolving Credit Facility ('RCF'), a £270m facility expiring in December 2016. During the six months to 30 June 2014 the RCF was undrawn. The marginal cost of borrowing under the RCF at the period end was 1.5%.

The group's RCF, bank borrowings and bonds are held at amortised cost.

The £300m bond was re-valued for changes in interest rates during the period March 2006 to April 2009, during which the group paid floating interest rates. At the end of this period, the group reverted to paying fixed interest rates and revaluation of the bond ceased as the hedge relationship ended. The bond is recorded in the financial statements at amortised cost and revaluation differences are amortised to the consolidated income statement over the life of the bond thus producing the effective rate indicated above.

The carrying values and the fair values of the group's non-current borrowings are shown below. Fair values are based on cashflows discounted at the current market rates:

	Carrying amount 30 June 2014 £m	Carrying amount 30 June 2013 £m	Carrying amount 31 December 2013 £m	**Fair Value 30 June 2014 £m**	Fair Value 30 June 2013 £m	Fair Value 31 December 2013 £m
Bank borrowings	**0.3**	0.2	0.2	**0.3**	0.2	0.2
£300m bond due March 2016	**306.7**	310.5	308.6	**321.6**	326.6	323.7
€500m bond due September 2019	**397.8**	424.6	412.4	**436.2**	438.8	430.2
€350m bond due October 2021	**276.6**	-	286.6	**301.0**	-	288.7
£1.6m debentures	**1.0**	1.0	1.0	**1.7**	2.4	1.7
Finance lease liabilities	**17.3**	18.6	13.7	**17.3**	18.6	13.7
	999.7	754.9	1,022.5	**1078.1**	786.6	1,058.2

The carrying values and the fair values of the group's bonds repaid in the last 12 month are shown. Fair values are based on cashflows discounted at the current market rates:

	Carrying amount 30 June 2014 £m	Carrying amount 30 June 2013 £m	Carrying amount 31 December 2013 £m	**Fair Value 30 June 2014 £m**	Fair Value 30 June 2013 £m	Fair Value 31 December 2013 £m
£50m bond due September 2013	**-**	50.0	-	**-**	50.3	-
€500m bond due March 2014 (€14.5m repaid in 2012)	**-**	414.2	402.7	**-**	427.0	406.2
	-	464.2	402.7	**-**	477.3	406.2

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;
Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow models based on market rates which are observable. Therefore all derivative financial instruments and available-for-sale assets held by the group fall into Level 2. Contingent consideration payable by the group falls into Level 3. No financial instruments have moved between levels in the period.

9. Retirement benefit obligations

Apart from the legally required social security state schemes, the group operates a number of pension schemes around the world covering many of its employees. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The principal scheme in the group is the Rentokil Initial Pension Scheme ("RIPS") in the United Kingdom, which has a number of defined benefit sections which are now closed to new entrants (other than the Initial No2 Section, accounting for 0.5% of the total scheme's liabilities, which remains open). Actuarial valuations of the UK scheme are usually carried out every three years.

Actuarial valuations of the UK scheme are usually carried out every three years. At 30th June the group's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £94.4m on the group's balance sheet. The trustees value the scheme on a different basis and based on the valuation of 31 March 2013 the plan is 99% funded with an estimated deficit of £18m. This deficit is anticipated to be met by the investment return on pension assets over the period of the recovery plan. In order to mitigate the risk that it does not, annual contributions of c.£3m per annum over the next six years will be paid into a joint escrow account by the group. In the event that the deficit is not cleared by the time of the 31 March 2019 valuation it will be funded from the escrow account. The group has recognised the pension surplus as an asset because the group has a right to reduce future pension contributions.

These defined benefit schemes are re-appraised bi-annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The principal assumptions used for the UK RIPS scheme are shown below.

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Weighted average %			
Discount rate	**4.2%**	4.6%	4.4%
Future salary increases	**4.3%**	4.3%	4.3%
Future pension increases	**3.3%**	3.4%	3.4%
RPI Inflation	**3.5%**	3.6%	3.6%
CPI Inflation	**2.5%**	2.6%	2.6%

The amounts recognised in the balance sheet for the total of the UK RIPS and other[1] schemes are determined as follows:

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Present value of funded obligations	**(1,236.8)**	(1,170.2)	(1,216.6)
Fair value of plan assets	**1,320.8**	1,284.0	1,277.3
	84.0	113.8	60.7
Present value of unfunded obligations	**(12.7)**	(13.7)	(13.7)
Net pension asset	**71.3**	100.1	47.0
Presented in the balance sheet as:			
Retirement benefit assets	**94.4**	124.6	70.6
Retirement benefit obligation	**(23.1)**	(24.5)	(23.6)
	71.3	100.1	47.0

The fair value of plan assets at the balance sheet date for the total of the UK RIPS and other[1] schemes is analysed as follows:

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Equity instruments	**349.9**	358.3	369.1
Debt instruments	**687.4**	236.7	612.5
Property	**0.5**	1.1	0.5
Other	**140.3**	8.3	154.0
Interest and inflation rate hedging instruments	**142.7**	73.6	141.2
Short term deposits	**-**	606.0	-
	1,320.8	1,284.0	1,277.3

The amounts recognised in the income statement for the total of the UK RIPS and other[1] schemes are as follows:

	30 June 2014 £m	*Restated* 30 June 2013 £m	*Restated* 31 December 2013 £m
Current service cost[2]	**0.8**	1.1	1.8
Past service cost incl. curtailments[2]	**(0.8)**	-	(0.4)
Administrative expenses[2]	**0.8**	0.8	1.8
Net interest credit[2]	**(1.3)**	(2.9)	(5.5)
Total pension income	**(0.5)**	(1.0)	(2.3)

[1] *other retirement benefit plans are predominantly made up of defined benefit plans situated in Ireland, Germany, Australia, Belgium, Norway and France.*

[2] *service costs and administrative expenses are charged to operating expenses and the net interest credit is shown separately on the face of the income statement.*

10. Reconciliation of net increase / (decrease) in cash and cash equivalents to net debt

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Net decrease in cash and cash equivalents	**(25.0)**	(104.4)	(78.4)
Movement on finance leases	**(1.3)**	(2.5)	(2.3)
Movement on other investments	**(241.4)**	2.1	292.1
Movement on loans	**397.5**	-	(240.4)
(Increase) / decrease in debt resulting from cash flows	**129.8**	(104.8)	(29.0)
Foreign exchange translation and other items	**46.1**	(27.8)	(17.0)
Debt on acquisitions and disposals	**(0.3)**		
Other non-cash movements	**-**	-	0.7
Movement on net debt in the period	**175.6**	(132.6)	(45.3)
Opening net debt	**(1,034.8)**	(989.5)	(989.5)
Closing net debt	**(859.2)**	(1,122.1)	(1,034.8)
Closing net debt comprises:			
Cash and cash equivalents	**117.3**	122.9	143.8
Other investments[1]	**50.6**	2.1	292.1
Fair value of debt-related derivatives	**5.1**	-	(4.0)
Bank and other short-term borrowings	**(32.5)**	(492.2)	(444.2)
Bank and other long-term borrowings	**(999.7)**	(754.9)	(1,022.5)
Total net debt	**(859.2)**	(1,122.1)	(1,034.8)

[1] *other investments include term bank deposits maturing in more than 3 months*

11. Operating and free cash flow

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Cash generated from operating activities	**116.0**	80.5	335.4
Add back: special pension contribution	**-**	12.5	13.6
	116.0	93.0	349.0
Purchase of property, plant and equipment (PPE)	**(92.2)**	(98.9)	(201.1)
Purchase of intangible fixed assets	**(5.6)**	(14.0)	(27.6)
Leased property, plant and equipment	**(5.3)**	(6.1)	(10.3)
Proceeds from sale of PPE	**3.1**	1.9	6.3
Dividends received from associates	**-**	-	1.9
Operating cash flow	**16.0**	(24.1)	118.2
Interest received	**5.3**	6.9	10.6
Interest paid	**(39.3)**	(36.7)	(60.9)
Interest element of finance lease payments	**(0.4)**	(0.5)	(0.9)
Income tax paid	**(12.4)**	(17.6)	(37.2)
Special pensions contributions	**-**	(12.5)	(13.6)
Disposal of available-for-sale investments	**-**	1.3	1.2
Free cash flow	**(30.8)**	(83.2)	17.4

12. Business combinations

The group purchased 100% of the share capital or the trade and assets of 17 companies and businesses in the period. The total consideration in respect of acquisitions was £46.1m and the cash outflow from current and past period acquisitions, net of cash acquired was £41.7m (Current: £37.2m, past period: £4.5m).

From the dates of acquisition to 30 June 2014, these acquisitions contributed £11.1m to revenue and £2.1m to operating profit. If the acquisitions had occurred on 1 January 2014, the revenue and operating profit of the combined entity would have amounted to £17.1m and £2.4m respectively.

Details of goodwill and the fair value of net assets acquired are as follows:

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Purchase consideration:			
- Cash paid	**36.1**	2.1	7.4
- Businesses exchanged	**-**	3.5	3.5
- Deferred consideration	**10.0**	0.4	2.3
Total purchase consideration	**46.1**	6.0	13.2
Fair value of net assets acquired	**(23.4)**	(5.4)	(10.6)
Goodwill from current period acquisitions	**22.7**	0.6	2.6

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses. None of the goodwill recognised is expected to be deductible for tax purposes.

Deferred consideration up to a maximum of £10.0m is payable over the next two years.

The group incurred acquisition related costs of £0.6m in respect of the above acquisitions.

The provisional fair value[1] of assets and liabilities arising from acquisitions in the period:

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Non-current assets			
- Intangible assets	**21.3**	2.4	6.6
- Property, plant and equipment	**3.6**	2.6	3.0
Current assets	**6.0**	1.5	3.3
Current liabilities	**(4.3)**	(0.6)	(1.6)
Non-current liabilities	**(3.2)**	(0.5)	(0.7)
Net assets acquired	**23.4**	5.4	10.6

[1] *the provisional fair values will be finalised in the 2014 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.*

13. Events occurring after the balance sheet date

There were no significant events occurring after the balance sheet date.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU

- the interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By Order of the Board

Andy Ransom
31 July 2014

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2013. A List of the current directors is maintained on the Rentokil Initial website: www.rentokil-initial.com

INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Paul Sawdon
for and on behalf of KPMG LLP,
Chartered Accountants
15 Canada Square
London
E14 5GL

31 July 2014